



INTERIM RESULTS

The Board of Directors (the “Directors”) of Mascotte Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2001.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the six months period ended 30th September, | |
|----------------------------------|--------------|--|---------------------------------|
| | | 2001 (Unaudited) HK\$'000 | 2000 (Unaudited) HK\$'000 |
| | <i>Notes</i> | | |
| Turnover | 3 | 89,591 | 91,627 |
| Cost of sales | | (60,668) | (62,861) |
| Gross profit | | 28,923 | 28,766 |
| Other revenue | | 581 | 1,027 |
| Selling and distribution costs | | (4,734) | (4,847) |
| Administrative expenses | | (15,391) | (16,210) |
| Profit from operations | | 9,379 | 8,736 |
| Finance costs | | (303) | (512) |
| Profit before taxation | 4 | 9,076 | 8,224 |
| Taxation | 5 | (235) | (277) |
| Profit before minority interests | | 8,841 | 7,947 |
| Minority interests | | (919) | (858) |
| Net profit for the period | | 7,922 | 7,089 |
| Dividends | 6 | — | — |
| Earnings per share | 7 | | |
| Basic | | 1.9 cents | 1.7 cents |
| Diluted | | 1.9 cents | 1.7 cents |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | 30th September, 2001 (Unaudited) HK\$'000 | (Restated) 31st March, 2001 (Audited) HK\$'000 |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Investment properties | | 52,550 | 47,050 |
| Property, plant and equipment | | 38,965 | 37,059 |
| Deposits paid | | 10,939 | 8,964 |
| | | <u>102,454</u> | <u>93,073</u> |
| Current assets | | | |
| Inventories | | 10,665 | 12,324 |
| Trade receivables | 8 | 25,912 | 25,754 |
| Deposits, prepayments and other receivables | | 14,169 | 14,311 |
| Tax recoverable | | 164 | 180 |
| Bank balances and cash | | 36,408 | 35,943 |
| | | <u>87,318</u> | <u>88,512</u> |
| Current liabilities | | | |
| Trade Creditors | 9 | 10,046 | 7,708 |
| Other creditors and accrued charges | | 14,612 | 9,053 |
| Taxation | | 10,928 | 10,710 |
| Bank borrowings – due within one year | | 514 | 538 |
| | | <u>36,100</u> | <u>28,009</u> |
| Net current assets | | <u>51,218</u> | <u>60,503</u> |
| Total assets less current liabilities | | 153,672 | 153,576 |
| Non-current liabilities | | | |
| Bank borrowings – due after one year | | (780) | (1,046) |
| Minority interests | | (5,105) | (4,129) |
| | | <u>147,787</u> | <u>148,401</u> |
| Capital and reserves | | | |
| Share capital | 10 | 42,400 | 42,400 |
| Reserves | 11 | 105,387 | 106,001 |
| | | <u>147,787</u> | <u>148,401</u> |

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

| | For the six months period ended 30th September, | |
|--|---|---------------------------------|
| | 2001 (Unaudited) HK\$'000 | 2000 (Unaudited) HK\$'000 |
| Exchange differences arising on translation of overseas operations not recognized in the income statement: | (56) | 336 |
| Net profit for the period | <u>7,922</u> | <u>7,089</u> |
| Total recognized gains | <u><u>7,866</u></u> | <u><u>7,425</u></u> |
| Prior period adjustment arising from adoption of Statement of Standard Accounting Practice No. 9 (Revised) (See Note 2) – increase in retained profits at 1st April 2000 | | <u><u>8,480</u></u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the six months period ended 30th September, | |
|--|---|---------------------------------|
| | 2001 (Unaudited) HK\$'000 | 2000 (Unaudited) HK\$'000 |
| Net cash inflow from operating activities | 19,776 | 13,726 |
| Net cash outflow from returns on investments and servicing of finance | (8,317) | (1,148) |
| Net cash outflow from taxation | – | (160) |
| Net cash outflow from investing activities | <u>(11,858)</u> | <u>(3,326)</u> |
| Net cash (outflow) inflow before financing | (399) | 9,092 |
| Net cash outflow from financing | <u>(243)</u> | <u>(642)</u> |
| (Decrease) Increase in cash and cash equivalents | (642) | 8,450 |
| Cash and cash equivalents at the beginning of the period | 35,897 | 21,164 |
| Effect of foreign exchange rate changes | <u>1,153</u> | <u>–</u> |
| Cash and cash equivalents at the end of the period | <u><u>36,408</u></u> | <u><u>29,614</u></u> |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2001

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared under the historical cost convention.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st March, 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new SSAPs issued by the Hong Kong Society of Accountants:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability in the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. The effect of this change has been to increase shareholders' funds at 1st April, 2000 by HK\$8,480,002. Comparative information has been restated to reflect this change in accounting policy.

Provisions

In accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Impairment of assets

SSAP 31 "Impairment of Assets" is effective for periods beginning on or after 1st January, 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets.

With the exception of SSAP 9 (Revised), the adoption of the above standards has had no material effect on amounts reported in the current and prior periods.

3. SEGMENTAL INFORMATION

The following is an analysis of the Group's turnover and contribution to profit from operations by principal activity and geographical market:

(a) By principal activity

| | Turnover | | Contribution to Profit from operations | |
|---------------------|------------------|------------------|--|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Sale of goods | 87,584 | 89,165 | 8,414 | 7,167 |
| Property investment | 2,007 | 2,462 | 965 | 1,569 |
| | <u>89,591</u> | <u>91,627</u> | <u>9,379</u> | <u>8,736</u> |

(b) By geographical market

| | For the six months period ended 30th September, | | | |
|---|--|------------------|---|------------------|
| | Turnover | | Contribution to Profit from operations | |
| | 2001 HK\$'000 | 2000 HK\$'000 | 2001 HK\$'000 | 2000 HK\$'000 |
| Europe | 53,551 | 50,640 | 5,144 | 4,070 |
| United States of America | 10,826 | 17,549 | 1,032 | 1,461 |
| Hong Kong | 12,342 | 11,784 | 1,199 | 1,366 |
| Other regions in the People's Republic of China | 3,014 | 3,375 | 1,057 | 1,174 |
| Others | 9,858 | 8,279 | 947 | 665 |
| | <u>89,591</u> | <u>91,627</u> | <u>9,379</u> | <u>8,736</u> |

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

| | For the six months period ended 30th September, | |
|-------------------------------|--|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Depreciation and amortisation | 2,477 | 2,793 |
| Interest on bank borrowings | <u>303</u> | <u>512</u> |

5. TAXATION

| | For the six months period ended 30th September, | |
|-----------------------|--|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Hong Kong Profits Tax | 146 | 262 |
| Other jurisdictions | <u>89</u> | <u>15</u> |
| | <u>235</u> | <u>277</u> |

Hong Kong Profits Tax has been calculated at the rate of 16.0% (2000: 16.0%) on the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

On 23rd August, 2001, a dividend of HK2 cents (2000: HK2 cents) per share amounting to HK\$8,480,002 (2000: HK\$8,480,002) was paid to shareholders as the final dividend for the year ended 31st March, 2001.

The Directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2001 (2000: Nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

| | For the six months period ended 30th September, | |
|--|--|--------------------|
| | 2001 | 2000 |
| | HK\$'000 | HK\$'000 |
| Earnings for the purposes of basic and diluted earnings per share | <u>7,922</u> | <u>7,089</u> |
| Number of ordinary shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>424,000,100</u> | 424,000,100 |
| Effect of dilutive share options | <u>1,582,973</u> | <u>5,535,490</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>425,583,073</u> | <u>429,535,590</u> |

8. TRADE RECEIVABLES

The Group allowed an average credit period of 45 days to its trade customers.

The following is an aged analysis:

| | As at 30th September, 2001 HK\$'000 | As at 31st March, 2001 HK\$'000 |
|--------------------|--|--|
| Within 60 days | 18,834 | 14,623 |
| 61-180 days | 2,555 | 6,070 |
| More than 180 days | 4,523 | 5,061 |
| | <u>25,912</u> | <u>25,754</u> |

9. TRADE CREDITORS

The following is an aged analysis:

| | As at 30th September, 2001 HK\$'000 | As at 31st March, 2001 HK\$'000 |
|--------------------|--|--|
| Within 60 days | 9,688 | 7,354 |
| 61-180 days | 147 | 95 |
| More than 180 days | 211 | 259 |
| | <u>10,046</u> | <u>7,708</u> |

10. SHARE CAPITAL

| | As at 30th September, 2001 HK\$'000 | As at 31st March, 2001 HK\$'000 |
|---|--|--|
| <i>Authorised:</i> | | |
| 1,000,000,000 ordinary shares of HK\$0.10 each | <u>100,000</u> | <u>100,000</u> |
| <i>Issued and fully paid:</i> | | |
| 424,000,100 ordinary shares of HK\$0.10 each | <u>42,400</u> | <u>42,400</u> |

11. RESERVES

| | Share premium | Special reserve | Capital (goodwill) reserve | Translation reserve | Reserve fund | Enterprise expansion reserve | Retained profits | Total |
|--|------------------|--------------------|----------------------------------|------------------------|-----------------|------------------------------------|---------------------|----------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st April, 2000 | | | | | | | | |
| – as previously stated | 42,310 | 14,901 | (10,794) | (1,079) | 1,083 | 1,083 | 89,088 | 136,592 |
| – prior year adjustment (see Note 2) | – | – | – | – | – | – | 8,480 | 8,480 |
| – as restated | 42,310 | 14,901 | (10,794) | (1,079) | 1,083 | 1,083 | 97,568 | 145,072 |
| Exchange adjustment | – | – | – | (72) | – | – | – | (72) |
| Premium arising on issue of shares | 24,500 | – | – | – | – | – | – | 24,500 |
| Expenses incurred in connection with issue of shares | (138) | – | – | – | – | – | – | (138) |
| Provision for impairment in value of goodwill | – | – | 2,236 | – | – | – | – | 2,236 |
| Net loss for the year | – | – | – | – | – | – | (57,117) | (57,117) |
| Dividends paid | – | – | – | – | – | – | (8,480) | (8,480) |
| At 31st March, 2001 | 66,672 | 14,901 | (8,558) | (1,151) | 1,083 | 1,083 | 31,971 | 106,001 |
| Exchange difference | – | – | – | (56) | – | – | – | (56) |
| Net profit for the period | – | – | – | – | – | – | 7,922 | 7,922 |
| Dividends paid | – | – | – | – | – | – | (8,480) | (8,480) |
| At 30th September 2001 | 66,672 | 14,901 | (8,558) | (1,207) | 1,083 | 1,083 | 31,413 | 105,387 |

12. CAPITAL COMMITMENTS

| | As at 30th September, 2001 HK\$'000 | As at 31st March, 2001 HK\$'000 |
|--|--|--|
| Capital expenditure in respect of the acquisition of a property contracted for but not provided in the condensed financial statements | 14,818 | 16,793 |

13. CONTINGENT LIABILITIES

The Company provided corporate guarantee of approximately HK\$53.8 million (as at 31st March, 2001: HK\$53.8 million) to banks to secure general banking facilities granted to subsidiaries. The total amount of facilities utilized by the subsidiaries at 30th September, 2001 amounted to approximately HK\$1.3 million (as at 31st March, 2001: HK\$1.6 million).

14. LITIGATION

As disclosed in the 2001 annual report that an interpleader proceeding between Mee Lee Shing Plastic Factory Limited and Mascotte Industrial Associates (Hong Kong) Limited, a wholly owned subsidiary of the Company, as trustee of Mr. Cheang for proving their respective claims to the disputed sum of HK\$2,000,000, there is no material progress on this litigation up to the announcement date.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30th September, 2001, the Group recorded a stable turnover of approximately HK\$89.6 million, representing a slight decrease of 2.2% when compared with the previous corresponding period.

Net profit attributable to shareholders was amounted to approximately HK\$7.9 million, which was increased by 11.8% over HK\$7.1 millions as recorded the last corresponding period. Such increase in attributable profit was mainly due to the continual efforts undertaken by the management to introduce increasingly tighter cost control measures, as well as to boost up the productivity of all self-own manufacturing bases, which in turn to reduce the reliance on the external sub-contractors.

With Euro dollars became more stabilized this financial year after the sharp devaluation last financial year, the Group's sale to this largest sale geographical European segment regained growth by 5.8% for this six month financial period when compared with the last corresponding period.

However, as affected by the persistently weak economy in the US and especially as hard hit after the 11 September terrorist attacks, the Group's sale to US market hit record low in recent years. For the six month this financial period, the sale to US only recorded approximately of HK\$10.8 million when compared with HK\$17.5 million previous corresponding period, representing a decrease of 38.3%. The management considers that the sale to US will continue to be battered for quite a period of time and hence the management has re-adjusted to channel more marketing resources into European and other geographical segments.

Liquidity and Gearing Ratio

Along the period under review, the Group had always maintained a strong liquidity position. As at 30th September, 2001, the Group recorded a total of cash and bank balances of HK\$36.4 million (as at 31st March, 2001 of HK\$35.9 million). Moreover, the Group had a net current assets of HK\$51.2 million (as at 31st March, 2001 of HK\$60.5 million). The shareholder's funds was of HK\$147.8 million (as at 31st March, 2001 of HK\$148.4 million) and the total bank borrowings was only of HK\$1.3 million (as at 31st March, 2001 of HK\$1.6 million); and accordingly, the gearing ratio was only 0.9% (as at 31st March, 2001 of 1.1%).

Prospects

With the present gloomy global economy and market sentiment, the Group will remain to adopt a more cautious policy to maintain good liquidity throughout this financial year. As against the almost close-to-zero bank deposit interest rate and when good opportunities arise, the Group will diversify surplus financial resources to add to the Group value-enhanced manufacturing bases and property portfolio in both Hong Kong and China so as to maximize the shareholders' returns in the long run.

Despite the challenges facing ahead, the Group has always been seizing this time opportunity to broaden its marketing network in the huge European market while many smaller competitors have disappeared due to the problem of ill-liquidity or insufficient production orders. Reacted by the management's working in a down-to-the-earth manner, striving proactively and providing the best services and products to customers, the Group is confident to maintain its leading position in the industry.

Number of Employees and Remuneration Policy

As at 30th September, 2001, the Group had more than 1,000 employees and with around 95% of them were employed in the PRC for the manufacturing business. The Group remunerates its employees based on their work performance and with reference to prevailing conditions of labor markets.

DIRECTORS' INTERESTS IN SECURITIES**(i) Shares**

At 30th September, 2001, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

| Name of director | Number of shares held | |
|------------------------------------|------------------------------|-------------------------------------|
| | Personal interest | Corporate interest (Note) |
| Ms. Chan Oi Ling, Maria Olimpia | – | 187,140,000 |
| Mr. Lam Yu Ho, Daniel | 40,500,000 | – |
| Mr. Cheng Lok Hing | 8,000,000 | – |
| Mr. Cheng Chun Kit | 8,200,000 | – |

Note: These shares are held by Honeyard Corporation. The entire issued share capital of Honeyard Corporation is held by The Honeyard Trust, a discretionary trust of which the family members of Ms. Chan Oi Ling, Maria Olimpia are discretionary beneficiaries.

In addition to the above, each of Ms. Chan Oi Ling, Maria Olimpia and Mr. Lam Yu Ho, Daniel holds 500,000 non-voting deferred shares in Mascotte Investments Limited, a subsidiary of the Company. Honeyard Corporation holds one non-voting deferred share in Newland Kingdom Limited, a subsidiary of the Company.

(ii) Share Option Scheme

The Company has a share option scheme to enable the directors of the Company to grant options to eligible employees, including executive directors, of the Company and its subsidiaries to subscribe for shares in the Company.

On 15th August, 2001, all 20,000,000 share options which enabled the directors to subscribe for ordinary share of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.241 per share, exercisable from 16th August, 1998 to 15th August, 2001, were lapsed.

No share options were granted or exercised during the period and there is no share options outstanding as at 30th September, 2001.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of director disclosed under the heading "Directors' Interests in Securities" as shown above, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no other person as having an interest representing 10 per cent. or more of the issued share capital of the Company as at 30th September, 2001.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited financial statements of the Group for the six months ended 30th September, 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

The Company has complied throughout the period ended 30th September, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

By Order of the Board
Chan Oi Ling, Maria Olimpia
Chairman

Hong Kong, 21st December, 2001